



Order 2004-9-10

**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 9<sup>th</sup> day of September, 2004

Served: September 14, 2004

Essential air service at

**EL DORADO/CAMDEN, ARKANSAS  
JONESBORO, ARKANSAS  
HARRISON, ARKANSAS  
HOT SPRINGS, ARKANSAS  
ENID, OKLAHOMA  
PONCA CITY, OKLAHOMA  
BROWNWOOD, TEXAS**

**Docket OST-1997-2935**

**Docket OST-1997-2401**

**Docket OST-1997-2402**

under 49 U.S.C. 41731 *et seq.*

**ORDER REQUESTING PROPOSALS,  
REDUCING AUTHORIZED SERVICE LEVELS,  
AND ESTABLISHING FINAL SUBSIDY RATES**

**Summary**

By this order, the Department is (a) deferring action with respect to its tentative decision to terminate the subsidy eligibility of Enid and Ponca City, Oklahoma, and Brownwood, Texas, as of October 1, 2004, (b) requesting proposals from carriers interested in providing essential air service at those three communities as well as at El Dorado/Camden, Jonesboro, Harrison and Hot Springs, Arkansas, for a new rate term, and (c) reducing the authorized service levels and establishing a final subsidy rate for the ongoing service being provided by Air Midwest, Inc., at Enid, Ponca City and Brownwood from October 1, 2004, until further Department action.

**Background**

By Orders 2002-7-2, July 1, 2002, and 2002-8-17, August 16, 2002, the Department selected Air Midwest, a subsidiary of Mesa Air Group, Inc., to provide subsidized essential air service at the seven communities in Arkansas, Oklahoma and Texas listed above for the two-year period ending September 30, 2004. Under the terms of those orders, Air Midwest was authorized to operate the following services with 19-seat Beech 1900 aircraft at subsidies totaling \$6,693,881 annually: 12 Jonesboro-El Dorado/Camden-Dallas/Ft. Worth plus 6 El Dorado/Camden-Dallas/Ft. Worth round trips a week; 18 Harrison-Hot Springs-Dallas/Ft. Worth round trips a

week; 17 Enid-Ponca City-Dallas/Ft. Worth plus 7 Enid-Ponca City-Denver round trips a week; and 18 Brownwood-Dallas/Ft. Worth round trips a week.<sup>1</sup>

As the end of the current rate term approached, we conducted a review of the communities' traffic results in anticipation of requesting carrier proposals for a new rate term beginning October 1, 2004. As a result of that review, we tentatively determined that subsidy at three of the communities -- Enid, Ponca City and Brownwood -- exceeds the statutory ceiling of \$200 per passenger; that those three communities are located within 210 miles of the nearest large or medium hub; and that, consequently, they are no longer eligible for subsidy to support their scheduled service.<sup>2</sup>

We therefore issued Order 2004-6-12, June 14, 2004, requesting interested persons to show cause why we should not terminate the essential air service subsidy eligibility of those three communities, and allow Air Midwest to suspend its subsidized services at them as of October 1, when the current rate term expires.<sup>3</sup> In doing so, however, we also encouraged the affected communities to work with Mesa/Air Midwest or any other interested operating carriers to develop credible service proposals for a new rate term with subsidy requirements of less than \$200 per passenger. As for the remaining communities, we indicated that our review suggested that some modifications in their service levels might be warranted in view of their recent traffic results, and we therefore invited those communities to comment on their own continuing service needs as well. We stated that, after reviewing all objections, we would issue a final decision and

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<sup>1</sup> See Appendix A for a map. Enid's and Ponca City's service had formerly been operated entirely to Dallas/Ft. Worth, but in February 2000 the Department allowed Air Midwest's predecessor on the route, Big Sky Transportation Co., d/b/a Big Sky Airlines, to operate some of the two communities' service to Denver. The modification was supported by the communities and reduced the subsidy necessary to support their service. Air Midwest has continued to operate 7 round trips a week to Denver, though it has retained the option of reverting all of the two communities' service to Dallas/Ft. Worth at its own discretion.

<sup>2</sup> See Appendix B. Mesa officials confirmed the passenger figures used in Order 2004-6-12 in a July 7 meeting with Department staff and reaffirmed them in a July 19 e-mail, with one exception: Mesa supplied data showing 3,779 origin-and-destination passengers for Ponca City during calendar year 2003, rather than the figure of 2,621 passengers that we used in the order. We have now verified Mesa's Ponca City figure as correct and consistent with the carrier's reports to the Bureau of Transportation Statistics. With the corrected traffic data, however, Ponca City's subsidy per passenger is still above the statutory \$200 ceiling:  $\$977,302/3,779 = \$258.61$ . Order 2004-6-12 noted that subsidy per passenger at El Dorado/Camden also exceeds \$200, but that community is 232 miles from Memphis, the nearest large or medium hub, and thus not subject to the \$200 ceiling. Congress first imposed the \$200 ceiling in fiscal year 1990 appropriations language, repeated it in several later appropriations, and then made it permanent by the Department of Transportation and Related Agencies Appropriations Act, 2000, P.L. 106-69.

<sup>3</sup> In Order 2004-6-12 we also tentatively decided to terminate the subsidy eligibility of Jonesboro, but we later withdraw our tentative decision insofar as Jonesboro was concerned by Order 2004-7-2, July 1, 2004.

request service proposals for a new rate term consistent with that decision for those communities that remained eligible for subsidy. Objections to our tentative decision were due by August 23.<sup>4</sup>

## **Objections**

In response to our tentative decision to discontinue subsidy for service at Enid, Ponca City and Brownwood, we have received objections from the Governor of Oklahoma, the Mayor of Enid, the Enid Woodring Regional Airport Advisory Board, the City Manager of Ponca City, the Governor of Texas, and the Mayor of Brownwood, among many others.<sup>5</sup> In general, the communities state that local scheduled air service is important to their economies in a variety of ways: as a transportation link to the rest of the country; as a factor in recruiting and retaining businesses; as a revenue source for businesses that provide fuel, maintenance, and other services to the subsidized carrier; and as a factor in acquiring federal funding for their airports under the Airport Improvement Program. The communities also state that they recognize that they need to build ridership, and that they are working with Mesa/Air Midwest to do so. One community characterizes the statutory \$200-per-passenger ceiling as “obsolete” and contrary to the purpose of the essential air service program.

Mesa has submitted a letter supporting the continuation of subsidy for Enid, Ponca City and Brownwood, along with a proposal containing two options: the first consists of a reduced service/subsidy proposal for those three communities; the second consists of a reduced service/subsidy proposal for Brownwood along with the four Arkansas communities, but without Enid or Ponca City. Mesa states that both options are contingent on Air Midwest’s being reselected at the Arkansas communities.<sup>6</sup>

Two Arkansas communities have submitted comments. The El Dorado Chamber of Commerce opposes any reduction in El Dorado/Camden’s subsidized service level. The community states that the current level of 18 round trips a week, or three a day, is necessary to accommodate single-day business trips between El Dorado/Camden and Dallas/Ft. Worth without an overnight stay, and that a service reduction would hinder the community’s economic development efforts. The Mayor of Harrison and other Harrison parties state that the Department should maintain currently subsidized service levels throughout the seven-community subsystem, and that no community should be “punished” because of the economic downturn following the 9/11 terrorist attacks.

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<sup>4</sup> Objections were originally due by July 19, but we postponed the date three times, by Orders 2004-7-6, July 9, 2004, 2004-7-30, July 30, 2004, and 2004-8-15, August 13, 2004.

<sup>5</sup> We have received numerous letters from state and civic officials, business leaders, and private citizens; many of them are form letters. Although we cannot cite all of them here, they largely make the same general points as those cited above. All such letters are included in the dockets.

<sup>6</sup> Mesa’s letter is contained in the dockets, but Mesa submitted the details of its proposal confidentially, since Order 2004-6-12 noted our intention to request proposals from all interested carriers once we had decided which communities remained eligible for subsidy. Our use of information from Mesa’s proposal in this order is therefore limited to what is necessary to understanding our actions here. We also received a proposal to serve Enid, Ponca City and Brownwood from Bobrel Leasing, Inc. However, Bobrel does not possess commuter air carrier authority and therefore cannot operate the service it proposes; see Order 2004-8-23, August 20, 2004.

## Decision

After giving careful consideration to the objections and all other relevant information, we have decided to defer final action on our tentative findings in Order 2004-6-12 for the time being, and to request proposals for a new rate term for all seven communities. In addition, we will authorize reduced service levels and establish a final subsidy rate for Air Midwest's ongoing service at Enid, Ponca City and Brownwood from October 1, 2004, until the present case is completed.

## Subsidy Eligibility of Enid, Ponca City and Brownwood

Regarding our tentative decision to terminate their subsidy eligibility, Enid, Ponca City and Brownwood generally assert that their subsidized services are important in various ways, and criticize the law. However, not one of the three communities disagrees with our tentative finding that its subsidy per passenger exceeds the statutory limit, nor does any of the three contend that the law does not apply to its service.<sup>7</sup>

However, we have examined Mesa's proposal very closely. In particular, our review indicates that Mesa's first option proposes a subsidy requirement of less than \$200 per passenger for each of the communities *if* the proposed subsidy, which is predicated on reductions from current service levels, is divided by calendar year 2003 traffic levels, which of course were achieved at the current, higher service levels. Specifically, Mesa's first option proposes 12 Enid-Ponca City-Dallas/Ft. Worth and 12 Brownwood-Dallas/Ft. Worth round trips each week at an annual subsidy requirement of \$1,925,177, which results in subsidies per passenger of \$161.20 for Enid, \$169.81 for Ponca City, and \$176.59 for Brownwood.<sup>8</sup> Based on those figures, we are prepared to explore the three communities' subsidy eligibility further, by requesting proposals from all interested carriers for those three communities along with the four Arkansas communities.<sup>9</sup>

We emphasize that we are here taking the most generous possible view of the situation for the purpose of soliciting proposals: our analysis looks at Mesa's proposed subsidy requirements based on *proposed, lower* service levels in conjunction with actual calendar year 2003 traffic figures, which were achieved at the communities' *current, higher* service levels, though it is far

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<sup>7</sup> Brownwood disagrees with our figure of 3,634 passengers for the community during calendar year 2003, and states that its own data show 3,738 passengers. As discussed in fn. 2 above, however, Mesa has confirmed our figure for Brownwood. Brownwood supplies no documentation in support of its own figure. It is possible that the community's figure includes nonrevenue passengers, such as carrier employees, who contribute nothing in support of the service and are thus not a legitimate measure for calculating subsidy per passenger. In any event, Brownwood's own figure still results in a subsidy-per-passenger level well above the statutory ceiling:  $\$964,677/3,738 = \$258.07$ . See Order 2000-6-14, June 19, 2000, regarding the same issue at Goodland, Kansas.

<sup>8</sup>  $\$641,726/3,981 = \$161.20$  for Enid,  $\$641,726/3,779 = \$169.81$  for Ponca City, and  $\$641,726/3,634 = \$176.59$  for Brownwood.

<sup>9</sup> Mesa's preliminary proposal was submitted in the context of our consideration of the communities' subsidy eligibility. Now that we have decided make a general request for proposals from all interested carriers, Mesa is of course free to reconsider and modify its preliminary proposal in any way it wishes, or even to decide against submitting a competitive proposal at all.

from clear (based on the carrier's own traffic projections) that the traffic figures will be maintained if/when service is reduced.

Nonetheless, we are prepared to give the three communities a final opportunity. The communities need to understand, however, that Mesa's proposal indicates that they will need to attain traffic levels *greater than those projected* in order to retain their subsidy eligibility in the long run. If we select a carrier to continue service at the three communities, we will continue to subsidize that service only so long as it proves economically viable at an acceptable subsidy. If the selected carrier concludes at any time that it cannot sustain service at any of the three communities at such subsidy and files notice to suspend its service, we will be required to terminate the community's subsidy eligibility and to allow the carrier to suspend service. Further, we will monitor the communities' traffic results. If our review indicates that any community's traffic becomes insufficient to keep its subsidy per passenger below the statutory \$200 ceiling, we will be required to finalize our tentative decision in Order 2004-6-12 with respect to that community by terminating its subsidy eligibility and allowing the carrier to suspend service.

### **Request for Proposals**

In view of our decision regarding Enid, Ponca City and Brownwood, we are here requesting proposals from carriers interested in providing service at those three communities along with El Dorado/Camden, Jonesboro, Harrison and Hot Springs, with or without subsidy, for a new two-year rate term. Carriers should file their proposals within 30 days of the date of service of this order. At the end of that period, our staff will docket the proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Shortly afterwards, we will provide a summary of the proposals to the communities and ask them to submit their final comments. We will give full consideration to all proposals that are timely filed.<sup>10</sup>

The preceding paragraph reflects streamlined carrier-selection procedures that we introduced last year for the essential air service program generally.<sup>11</sup> In the past, we have accepted *initial* carrier proposals, reviewed them, and then negotiated *final* proposals with each applicant before formally presenting the proposals to communities for their final comments. We found that a two-step process was generally necessary because, in most cases, the incumbent carrier was the only one interested. As a result, we were unable to rely on competition to discipline carrier subsidy requests, and communities had to wait on a protracted selection process. More recently, however, we have noticed that most orders requesting essential air service proposals have drawn interest from at least two carriers, and sometimes more. Under the circumstances, we have found that competition among multiple carriers usually ensures reasonable subsidy requests, obviates the need for rate negotiations, and allows us to streamline the carrier selection process.

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<sup>10</sup> In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not proceed with the carrier-selection case. Instead, we simply rely on that carrier's subsidy-free service as proposed.

<sup>11</sup> We initially announced the streamlined procedures in Order 2003-8-10, August 7, 2003, which concerned essential air service at five communities in western Kansas.

Consequently, interested carriers should prepare their proposals with every expectation that their initial proposals will also be their *final* and *only* proposals.<sup>12</sup> We retain the discretion to negotiate proposals with carriers when we deem it desirable; in such cases, of course, we will give all applicants the same opportunity. For example, we anticipate that we will continue to negotiate rates in cases where there is only a single interested carrier. We also retain the discretion to reject outright all unreasonable or unrealistic proposals, and to resolicit a new round of proposals. However, we anticipate that negotiation or rejection will be only occasional exceptions to the general rule.

We are here providing interested carriers with some basic information to serve as guidance when they prepare their proposals, but we will not prescribe a precise format for their proposals. We expect proposals to adequately describe the service being proposed and the annual amount of subsidy being requested. The applicants can make their own judgments as to the level of detail they wish to present; however, they might want to include proposed schedules as well as supporting data for their subsidy requests, such as projected block hours, revenues and expenses. We strongly encourage clear, well-documented proposals that will facilitate their evaluation by affected communities and the Department. We do not anticipate any change in our selection criteria, nor in the general provisions governing subsidy payments for essential air service.<sup>13</sup>

#### **The Four Arkansas Communities**

For all seven communities, we expect proposals consisting of service with two-pilot, twin-engine aircraft with at least 15 passenger seats. We have already discussed at length our specific expectations regarding proposals for service at Enid, Ponca City and Brownwood. Insofar as the four Arkansas communities are concerned, we expect proposals offering 12 round trips a week from El Dorado/Camden, Jonesboro and Hot Springs, and 18 from Harrison, to Dallas/Ft. Worth.

El Dorado/Camden averaged 5.9 enplanements a day during calendar year 2003, and its essential air service determination calls for a minimum of 17 inbound and outbound seats a day; Jonesboro averaged 6.5 enplanements, and its determination contains no minimum seat requirement; and

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<sup>12</sup> For this reason, we now allow carriers 30 days to submit their proposals, rather than just 20 as in the past. Because the new procedures anticipate that a carrier's first proposal will also be its final proposal, we now enforce our filing deadlines more stringently than in the past. Carriers should not expect the Department to accept late filings. The additional 10 days comfortably accommodates the additional time carriers may find necessary to prepare their proposals.

<sup>13</sup> In selecting a carrier to provide subsidized essential air service, 49 U.S.C. 41733(c)(1) directs us to consider four factors: (a) service reliability; (b) contractual and marketing arrangements with a larger carrier at the hub; (c) interline arrangements with a larger carrier at the hub; and (d) community views. In addition, we have always given weight to the applicants' relative subsidy requirements. As in the past, the general provisions governing essential air service will be included in the selection order as part of the Department's authorization of subsidy for the selected service. Appendix C of this order contains those general provisions.

Hot Springs averaged 9.1 enplanements and has a minimum seat requirement of 22 seats.<sup>14</sup> Under the circumstances, 12 round trips a week will easily accommodate those three communities' recent traffic levels while fully satisfying their essential air service determinations. In its comments, El Dorado/Camden does not claim that its currently authorized service level of 18 round trips a week, or three round trips a day, is necessary to accommodate its traffic, but does maintain that such flight frequency is necessary for single-day business trips without an overnight stay. We disagree. Two round trips a day, with reasonably timed flights, should easily accommodate single-day business trips to or from the hub; midday flights are considerably less meaningful to such local trips.<sup>15</sup>

Harrison averaged 9.4 enplanements a day during calendar year 2003, and its essential air service determination calls for a minimum of 18 seats. Ordinarily, 12 round trips a week, or two a day, would easily satisfy such requirements. Three years ago, however, Harrison agreed to forgo service to a second hub, St. Louis, in exchange for increased service -- 18 round trips a week -- to Dallas/Ft. Worth.<sup>16</sup> In keeping with that arrangement, we are here requesting proposals maintaining 18 round trips a week at Harrison.

We encourage proposals that meet our requirements in an efficient manner. For instance, El Dorado/Camden and Jonesboro have long been served together on the same route, and the two communities' sharing 12 round trips a week will accommodate their traffic and minimum seat requirements. Harrison and Hot Springs have also traditionally been served together, and we are prepared to consider proposals for 18 round trips a week at Hot Springs if (a) the applicant will continue serving Hot Springs on the same route as Harrison, and (b) the applicant clearly demonstrates that the incremental revenue generated at Hot Springs by the additional service will cover the incremental cost, so that the additional service will not increase the total subsidy necessary to support the route. Carriers are also welcome to propose more than one service option, if they choose; they need not limit themselves to our requirements if they envision other, potentially more attractive service possibilities -- different hubs, for example -- with subsidy requirements that remain competitive.

### **Service and Traffic History**

Air Midwest replaced Big Sky Airlines at El Dorado/Camden and Jonesboro on September 1, 2002, at Harrison and Hot Springs on September 24, 2002, and at Enid, Ponca City

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<sup>14</sup> Enplanements represent one-half of total origin-and-destination traffic, and average enplanements per day are based on 313 weekdays and weekends a year. Appendix D contains all seven communities' essential air service determinations as last established by Order 92-11-54, November 27, 1992, for El Dorado/Camden and Jonesboro; Order 93-10-27, October 15, 1993, for Harrison and Hot Springs; and Order 93-2-36, February 16, 1993, for Enid, Ponca City and Brownwood.

<sup>15</sup> According to the August 2004 *Official Airline Guide*, Air Midwest currently offers a morning flight that leaves El Dorado/Camden at 7:15 AM and arrives at Dallas/Ft. Worth at 8:40 AM, and a return flight that leaves at 6:25 PM and arrives back at the community at 7:45 PM. For trips originating at the hub, a morning flight leaves Dallas/Ft. Worth at 9:20 AM and arrives at El Dorado/Camden at 10:40 AM, with a return flight leaving the community at 4:15 PM and arriving back at Dallas/Ft. Worth at 5:40 PM.

<sup>16</sup> See Order 2001-9-17, September 25, 2001.

and Brownwood on October 1, 2002, under Orders 2002-7-2 and 2002-8-17. Big Sky had operated subsidized service at the communities since November 1998, when it instituted emergency replacement service after Aspen Mountain Air filed for protection under Chapter 11 of the bankruptcy laws. The communities' traffic levels for calendar year 2003 were discussed earlier in this order, and they are also contained in Appendix B.

### **Other Carrier Requirements**

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.<sup>17</sup> Consequently, all carriers receiving Federal subsidy for essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. Because the Department is prohibited from paying subsidy to carriers that do not submit these documents, all carriers that plan to submit proposals involving subsidy should be aware that the selected carrier will be expected to complete the required certifications. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053.<sup>18</sup>

### **Community and State Comments**

The communities and states are welcome to submit comments on the proposals at any time. As noted earlier, however, we will provide a summary of the proposals to the civic parties and ask them to submit their final comments shortly after the end of the 30-day period for carrier proposals.

### **Short-term Service Levels and Subsidy at Enid, Ponca City and Brownwood**

The current rate term for Air Midwest's services at all seven communities ends on September 30, and it is clear that we will not conclude the present case by that date. Under the circumstances, Mesa has requested that, if we do not terminate the subsidy eligibility of Enid, Ponca City and Brownwood as of October 1, we instead authorize reduced service levels for the three communities at an annualized subsidy rate of \$1,925,177, consistent with the first option of its preliminary proposal, discussed earlier, from October 1 until completion of the case.

Upon review, we will authorize reduced services at the three communities as proposed by Mesa, and establish the carrier's proposed subsidy rate as the final rate for those services

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<sup>17</sup> The regulations applicable to these areas are: (a) 49 CFR Part 20 -- New restrictions on lobbying; (b) 49 CFR Part 21 -- Nondiscrimination in federally-assisted programs of the Department of Transportation -- Effectuation of title VI of the Civil Rights Act of 1964; 49 CFR Part 27 -- Nondiscrimination on the basis of disability in programs and activities receiving or benefiting from Federal financial assistance; and 14 CFR Part 382 -- Nondiscrimination on the basis of disability in air travel; and (c) 49 CFR Part 29 -- Government-wide debarment and suspension (non-procurement) and government-wide requirements for drug-free workplace (grants).

<sup>18</sup> The certifications are also available on the web at <http://ostpxweb.dot.gov/aviation/index.html>.



from October 1 until further Department action. The reduced service levels still satisfy the communities' essential air service requirements, and the proposed subsidy rate appears reasonable for the services at issue and, at least for now, meets the \$200-per-passenger ceiling.

This order is issued under authority delegated in 49 CFR 1.56a(f).

**ACCORDINGLY,**

1. We defer action with respect to our tentative findings and conclusions as set forth in Order 2004-6-12, June 14, 2004;
2. We request that carriers interested in providing essential air service at El Dorado/Camden, Jonesboro, Harrison and Hot Springs, Arkansas, Enid and Ponca City, Oklahoma, and/or Brownwood, Texas, submit their proposals, with or without subsidy requests, no later than 30 days after the date of service of this order. The proposals should be sent to the EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street S.W., Washington, DC 20590, with the title "Proposal to Provide Essential Air Service at [the community or communities of interest, with the corresponding docket number as shown on page one of this order]";<sup>19</sup>
3. We authorize Air Midwest, Inc., to provide essential air service at Enid and Ponca City, Oklahoma, and Brownwood, Texas, as described in Appendix C, from October 1, 2004, until further Department action;
4. We set the final rate of compensation for Air Midwest, Inc. for the provision of essential air service at Enid and Ponca City, Oklahoma, and Brownwood, Texas, described in Appendix C, from October 1, 2004, until further Department action, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix C, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$535.66;<sup>20</sup>
5. We direct Air Midwest, Inc., d/b/a US Airways Express, to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed, whichever comes first. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;
6. These dockets will remain open until further order of the Department; and

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<sup>19</sup> Questions regarding filings in response to this order may be directed to Ed Niederberger at (202) 366-1039.

<sup>20</sup> See Appendix C for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

7. We will serve copies of this order on the mayors and airport managers of El Dorado/Camden, Jonesboro, Harrison and Hot Springs, Arkansas, Enid and Ponca City, Oklahoma, and Brownwood, Texas; Air Midwest, Inc.; and the persons listed in Appendix E.

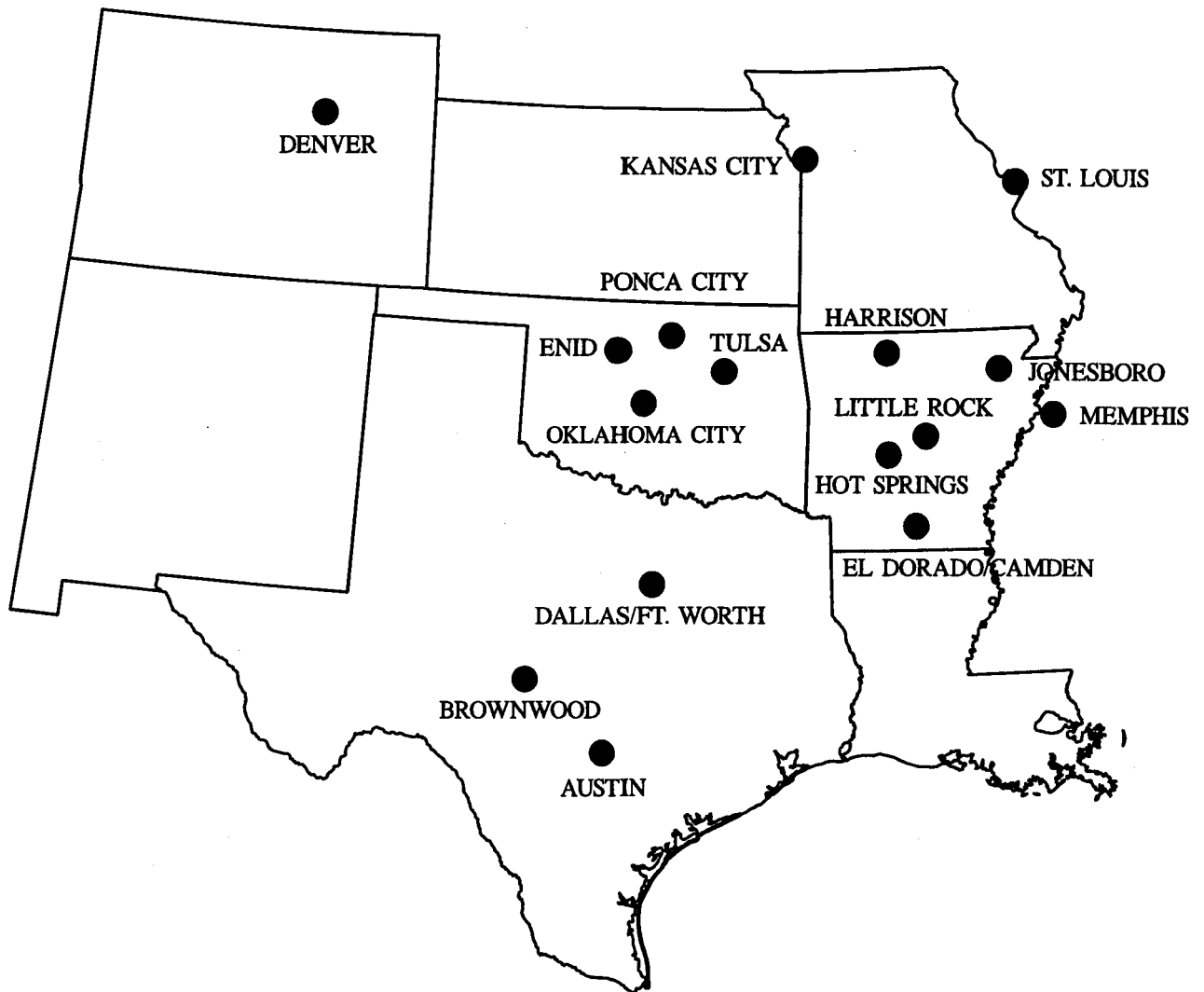
By:

**KARAN K. BHATIA**  
Assistant Secretary for Aviation  
and International Affairs

(SEAL)

*An electronic version of this document is available  
on the World Wide Web at <http://dms.dot.gov>*

## REGIONAL MAP



# APPENDIX B

## TRAFFIC AND SUBSIDY

COMMUNITY	ANNUAL O&D PASSENGERS		ANNUAL SUBSIDY	SUBSIDY PER PASSENGER	DISTANCE FROM NEAREST LARGE OR MEDIUM HUB
	ACTUAL CY 2003	MESA PROJECTION	SHORTFALL		
EL DORADO/CAMDEN*	3,711†	4,689	20.9%	\$1,077,939†	232 miles - Memphis (M)
JONESBORO	4,058	7,382	45.0	718,626†	79 miles - Memphis (M)
HARRISON*	5,908	6,024	1.9	989,018	239 miles - Memphis (M)
HOT SPRINGS	5,676	6,372	10.9	989,018	197 miles - Memphis (M)
ENID	3,981	8,927	55.4	977,302	84 miles - Oklahoma City (M)
PONCA CITY	3,779§	8,860	57.3	977,302	111 miles - Oklahoma City (M)
BROWNWOOD	3,634	5,800	37.3	964,677	145 miles - Austin (M)

\* El Dorado/Camden and Harrison are located more than 210 highway miles from the nearest large or medium hub, and therefore are not subject to the \$200-per-passenger ceiling.

† December 2003 data are missing. The above annual figure represents 12/11 of the January-November 2003 total of 3,402 passengers.

‡ As corrected in Order 2004-7-2, July 1, 2004.

§ As corrected in this order.

SOURCES: Order 2002-7-2, July 1, 2002, contains Mesa's traffic projections and annual subsidy requirements. Actual traffic data for calendar year 2003 are from the Bureau of Transportation Statistics, Form 298-C, Schedule T-1, and Report T-100A.

AIR MIDWEST, INC.  
ESSENTIAL AIR SERVICE AT  
ENID AND PONCA CITY, OKLAHOMA, AND BROWNWOOD, TEXAS

EFFECTIVE PERIOD	October 1, 2004, until further Department action
SERVICE	
Enid and Ponca City	12 nonstop or one-stop round trips to Dallas/Ft. Worth each week
Brownwood	12 nonstop round trips to Dallas/Ft. Worth each week
AIRCRAFT TYPE	Beech 1900 (19 seats)
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation
SUBSIDY RATE PER ARRIVAL/DEPARTURE	\$535.66 <u>1/</u>
COMPENSATION CEILING EACH WEEK	\$38,567.52 <u>2/</u>

1/ Annual compensation of \$1,925,177 divided by 2,995 annual arrivals and departures at a 96 percent completion factor: 72 dpts x 52 weeks x .96 completion = 3,594.

2/ Subsidy rate per arrival/departure of \$535.66 multiplied by 72 subsidy-eligible arrivals and departures each week.

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plans outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of this rate, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on the route. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this agreement, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to this agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

ESSENTIAL AIR SERVICE DETERMINATIONS FOR  
EL DORADO/CAMDEN, JONESBORO, HARRISON AND HOT SPRINGS, ARKANSAS,  
ENID AND PONCA CITY, OKLAHOMA, AND BROWNWOOD, TEXAS

EL DORADO/ CAMDEN	At least two round trips each weekday and weekend to Dallas/Ft. Worth (no more than one intermediate stop) providing a total of 17 inbound and 17 outbound seats.
JONESBORO	At least two round trips each weekday and weekend to either Dallas/Ft. Worth (no more than one intermediate stop) or Memphis (nonstop). There is no minimum seat requirement.
HARRISON	At least two round trips each weekday and weekend to both Dallas/Ft. Worth (no more than one intermediate stop) and St. Louis (no more than one intermediate stop) providing a total of 18 inbound and 18 outbound seats. See the note below.
HOT SPRINGS	At least two round trips each weekday and weekend to Dallas/Ft. Worth (no more than one intermediate stop) providing a total of 22 inbound and 22 outbound seats.
ENID	At least two round trips each weekday and weekend to either Dallas/Ft. Worth, Oklahoma City or Tulsa (no more than one intermediate stop to any hub) providing a total of 11 inbound and 11 outbound seats.
PONCA CITY	At least two round trips each weekday and weekend to either Dallas/Ft. Worth, Oklahoma City or Tulsa (no more than one intermediate stop to any hub) providing a total of 17 inbound and 17 outbound seats.
BROWNWOOD	At least two round trips each weekday and weekend to Dallas/Ft. Worth (nonstop) providing a total of 9 inbound and 9 outbound seats.

NOTE: In September 2001, the Department, with the concurrence of the Harrison community, allowed Big Sky Airlines, the carrier providing Harrison's service at that time, to discontinue the community's service to St. Louis in exchange for increased service to Dallas/Ft. Worth. See Order 2001-9-17, September 25, 2001.

SERVICE LIST FOR THE STATE OF ARKANSAS

ACT International Airlines, Inc.  
Aero Freight, Inc.  
Amerijet International, Inc.  
Conquest Airlines Corporation  
Corporate Airlines, Inc.  
Corporate Aviation Services, Inc.  
Cotton Belt Aviation, Inc.  
Delta Connection  
Exec Express II, Inc.  
Express Airlines I, Inc.  
Express Airlines II, Inc.  
Grand Airways, Inc.  
Gunnell Aviation, Inc.  
L'Express, Inc.  
Las Vegas Airlines, Inc.  
Mesa Airlines, Inc.  
Metro Express II, Inc.  
Midwest Express Airlines, Inc.  
Multi Aero, Inc.  
Patterson Aviation Company  
Redwing Airways, Inc.  
Rio Grande Air  
Rocky Mountain Helicopters, Inc.  
Ross Aviation, Inc.  
SkyVantage Corporation  
Sun Pacific Airlines, Inc.  
Texas National Airlines, Inc.  
Trans States Airlines, Inc.  
Westward Airways, Inc.

Louis Andrews  
Ken Bannon  
Rick Bauer  
Moise Berger  
Richard Cass  
Richard Thomas Clarke  
Doug Franklin  
E.B. Freeman  
A. Edward Jenner  
Keith Kahle  
Lee Mason  
Cory Robin  
D.E. Rowan  
Andrew Spinks  
Larry Tiffin  
Gerald Wigmore  
Robert Wigmore  
Tim Woldridge



SERVICE LIST FOR THE STATE OF OKLAHOMA

ACT International Airlines, Inc.  
Aero Freight, Inc.  
Air Midwest, Inc.  
Amerijet International, Inc.  
Conquest Airlines Corporation  
Corporate Airlines, Inc.  
Corporate Aviation Services, Inc.  
Delta Connection  
Exec Express II, Inc.  
Mesa Airlines, Inc.  
Midwest Express Airlines, Inc.  
Multi Aero, Inc.  
Redwing Airways, Inc.  
Rio Grande Air  
SkyVantage Corporation  
Texas National Airlines, Inc.  
Trans States Airlines, Inc.  
Westward Airways, Inc.

Francis Armstrong  
Ken Bannon  
Rick Bauer  
Doug Franklin  
E.B. Freeman  
A. Edward Jenner  
Keith Kahle  
Wes Marden  
Lee Mason  
Cory Robin  
Andrew Spinks  
Wayne Trawick  
Gerald Wigmore  
Robert Wigmore  
Tim Woldridge

SERVICE LIST FOR THE STATE OF TEXAS

ACT International Airlines, Inc.  
Aero Freight, Inc.  
Air Midwest, Inc.  
Air Transport, Inc.  
Alpine Air Express  
Amerijet International, Inc.  
Corporate Airlines, Inc.  
Delta Connection  
Exec Express II, Inc.  
Indianapolis Heliport Corporation  
L'Express, Inc.  
Mesa Airlines, Inc.  
Midwest Express Airlines, Inc.  
Multi Aero, Inc.  
Premier Aviation Services, Inc.  
Rio Grande Air  
Ross Aviation, Inc.  
SkyVantage Corporation  
Texas National Airlines, Inc.  
Westward Airways, Inc.

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Jeff Fonner  
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Ben Harrison  
A. Edward Jenner  
Keith Kahle  
Colleen O'Day  
Wes Marden  
Lee Mason  
Andy Pike  
Cory Robin  
D.E. Rowan  
William C. Seigler  
Andrew Spinks  
Wayne Trawick  
Robert Wigmore  
Tim Woldridge